est includible in the gross estate should be valued as of the date of the decedent's death in accordance with the provisions of this section and then such value should be adjusted as explained in section 81.11 for any difference in value between the date of death and the applicable subsequent date due to causes other than mere lapse of time. If the executor does not adopt the option set forth in section 81.11, the value of any such interest should be computed as hereinafter prescribed without such further adjustment for any decrease or increase in the value of the property subsequent to the date of death.

(2) The value of an annuity contract issued by a company regularly engaged in the selling of contracts of that character is established through the sale by that company of comparable contracts.

(3) All other future payments are to be discounted upon the basis of compound interest at the rate of 4 per cent a year. If the time of payment or of payments is dependent upon the continuation of, or upon the termination of a life, or of lives, the Actuaries' or Combined Experience Table of Mortality, as extended, and established actuarial principles are to be used in the computation of the present worth. For the purpose of the computation the age of a person is to be taken as the age of that person at his nearest birthday. Table A, a part of this section, gives factors applicable to a case in which only one life is involved. (See paragraphs (4) to (8), inclusive.) Table B, a part of this section, gives factors applicable to a case in which only a term-certain is involved. (See paragraphs (9) to (11), inclusive.) If the time of payment or of payments is dependent upon the continuation of, or termination of more than one life, or there is a term-certain concurrent with one or more lives, a special computation in accordance with the first two

sentences of this paragraph is necessary. A case requiring a special computation may be stated to the Commissioner who will furnish the applicable factor, provided such request is made sufficiently in advance of the due date of the return. Such request must fully disclose all relevant facts. The date of birth of each person, the duration of whose life may affect the value of the interest, should be established by affidavit.

(4) If the decedent had a remainder interest in property subject to the life estate of another, the present worth of the remainder interest at the time of death should be obtained by multiplying the value of the property at the time of death by the figure in column 3 of Table A opposite the number of years nearest to the actual age of the life tenant.

Example. The decedent was entitled to receive property worth $50,000 upon the death of his elder brother, to whom the income for life had been bequeathed. The brother at the time of the decedent's death was 31 years 5 months old. By reference to Table A, it is found that the figure in column 3, opposite 31 years, is 0.31262. The present worth of the remainder interest at the date of death is, therefore, $15,631 ($50,000 multiplied by 0.31262).

* * * * *

TABLE A.—*Table, single life, 4 percent, showing the present worth of an annuity, or a life interest, and of a reversionary interest*

1	2	3
	Annuity	*Reversion*
Age	Annuity, or present value of $1 due at the end of each year during the life of a person of specified age.	Reversion, or present value of $1 due at the end of the year of death of a person of specified age.

* * * * *

(*j*) [As added by T. D. 5906, 1952–1 Cum. Bull. 155, 158–157 [*Annuities, life estates, remainders, and reversions; estates of decedents dying before January 1, 1952.*—In the case of

decedents dying before January 1, 1952, the general principles and methods prescribed in paragraph (i) of this section (with one exception set forth in the next paragraph) are to be followed but the present worth of the interest to be valued is to be computed with the use of Table A or Table B (which appear at the end of this section) and if neither table is applicable the computation is to be made upon the basis of the Actuaries' or Combined Experience Table of Mortality, as extended, and interest at the rate of 4 percent a year, compounded annually. * * *

T. D. 5906, 1952–1 Cum. Bull. 155:

* * * * *

Paragraph 1. Section 81.10, * * *, is further amended as follows:

(A) By amending paragraph (*i*) thereof to read as follows:

(*i*) *Annuities, life estates, remainders, and reversions; estates of decedents dying after December 31, 1951.*—(1) *In general.*—The value of an annuity contract, or an insurance policy on the life of a person other than the decedent, issued by a company regularly engaged in the selling of contracts of that character is established through the sale by that company of comparable contracts. See section 86.19 (*i*) of Regulations 108, relating to the gift tax. As to insurance on the life of the decedent, see section 81.28. Except with respect to the aforementioned annuity contracts and insurance policies, the values of annuities, life estates, remainders, and reversions are to be computed by the methods hereinafter prescribed in this paragraph. The present worth of such an interest which is dependent upon the continuation of, or termination of the life of one person or upon a term-certain is to be computed with the use of Table I or Table II of this section. If the

interest to be valued is dependent upon more than one life or there is a term-certain concurrent with one or more lives, see subparagraph (5) of this paragraph. For the purpose of the computation, the age of a person is to be taken as the age of that person at his nearest birthday. If the executor adopts the option set forth in section 811 (j) see section 81.11.

(2) *Annuities.*—(i) *Payable annually at end of year.*— * * *.

* * * * *

(3) *Life estates and terms for years.*— * * *

* * * * *

(4) *Remainders or reversionary interests.*— If the decedent had a remainder or a reversionary interest in property subject to the life estate of another, the present worth of such interest should be obtained by multiplying the value of the property by the figure in column 3 of Table I opposite the number of years nearest to the actual age of the life tenant. In case the remainder or reversion is to take effect at the end of a term of years Table II should be used.

TABLE I.—*Table, single life, 3½ percent, showing the present worth of an annuity, or a life interest, and of a remainder interest*

1	2	3
Age.....	Annuity.....	Remainder.

* * * * *

Treasury Regulations 108, promulgated under the Internal Revenue Code of 1939:

SEC. 86.19 *Valuation of Property.*—(*a*) *General.*—The statute provides that if the gift is made in property, the value thereof at the date of the gift shall be considered the amount of the gift. The value of the property is the price at which such property would change hands

between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell. The value of a particular kind of property is not to be determined by a forced sale price. Such value is to be determined by ascertaining as a basis the fair market value at the time of the gift of each unit of the property. For example, in the case of shares of stock or bonds, such unit of property is a share or a bond. All relevant facts and elements of value as of the time of the gift should be considered.

* * * * *

(*i*) *Life insurance and annuity contracts.*— The value of a life insurance contract or of a contract for the payment of an annuity issued by a company regularly engaged in the selling of contracts of that character is established through the sale of the particular contract by the company, or through the sale by the company of comparable contracts. As valuation through sale of comparable contracts is not readily ascertainable when the gift is of a contract which has been in force for some time and on which further premium payments are to be made, the value may be approximated, unless because of the unusual nature of the contract such approximation is not reasonably close to the full value, by adding to the interpolated terminal reserve at the date of the gift the proportionate part of the gross premium last paid before the date of the gift which covers the period extending beyond that date.

The examples given below, so far as relating to life insurance contracts, are of gifts of such contracts on which there are no accrued dividends or outstanding indebtedness.

Example (*1*). A donor purchases from a life insurance company for the benefit of another a life insurance contract or a contract for the

payment of an annuity; the value of the gift is the cost of the contract.

* * * * *

Example (3). A donor owning a life insurance policy on which no further payments are to be made to the company (e. g., a single premium policy or paid-up policy) makes a gift of the contract. The value of the gift is the amount which the company would charge for a single premium contract of the same specified amount on the life of a person of the age of the insured.

Example (4). A gift is made four months after the last premium due date of an ordinary life insurance policy issued nine years and four months prior to the gift thereof by the insured, who was 35 years of age at date of issue. The gross annual premium is $2,811. The computation follows:

Terminal reserve at end of tenth year	$14,601.00
Terminal reserve at end of ninth year	12,965.00
Increase	1,636.00
One-third of such increase (the gift having been made four months following the last preceding premium due date), is	545.33
Terminal reserve at end of ninth year	12,965.00
Interpolated terminal reserve at date of gift	13,510.33
Two-thirds of gross premium ($2,811)	1,874.00
Value of the gift	15,384.33

(*j*) *Other property.*—Any property not specifically treated in this section should be valued in accordance with the rule laid down under (*a*) hereof.

* * * * *

APPENDIX B.—*Joint Exhibit A–1 to the Stipulation*

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Insurance Company	Number	Face value [1]	Cash surrender value	Interpolated reserve	Replacement cost
Confederate Life Insurance Company	462, 344	$50, 000	$32, 600. 00	$33, 782. 00	$38, 900. 00
Home Life Insurance Company	425, 809	50, 000	35, 993. 00	35, 993. 00	40, 001. 50
Mutual Life Insurance Company	4, 921, 865	50, 000	42, 213. 00	42, 416. 50	(2)
Travelers Life Insurance Company	428 N W 50	100 000	65, 270. 00	67, 720. 00	80, 802. 00
New York Life Insurance Company	12, 462, 985	100, 000	70, 777. 00	84. 277. 00	(2)
		350, 000	246, 853. 00	264, 188. 50	159, 703. 50

[1] Face value consists of the face value of the policy, paid-up additional insurance purchased with dividends, and dividend accumulations.
[2] Similar policy not issue.

Joint Exhibit B–2 to the Stipulation

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Insurance company	Policy number	Face value [1]	Cash surrender value	Interpolated reserve	Gross annual premium
Penn Mutual Life Insurance Company	846940	$88,260.00	$37,138.11	$36,791.73	$1,496.00
New England Mutual Life Insurance Company	353520	41,772.00	22,728.38	22,739.67	921.00
Equitable Life Assurance Society of United States	2346,563	136,831.00	74,725.42	74,061.47	3,191.00
Do	•3621,076	189,205.00	90,928.01	93,532.80	6,168.00
Do	3621,077	126,139.00	60,620.34	62,356.86	4,112.00
Aetna Life Insurance Company	P–573915	118,842.22	55,066.65	55,055.57	3,843.00
Do	P–573916	59,421.12	27,533.33	27,527.80	1,921.50
Prudential Insurance Company of America	2638738	56,839.00	27,844.43	27,838.58	1,248.50
State Mutual Life Assurance Company	189,890	67,864.46	36,701.15	36,726.29	1,496.00
Mutual Benefit Life Insurance Company	851,749	6,936.27	3,777.43	3,780.96	149.60
Do	851,750	131,747.96	71,741.72	71,808.89	2,842.50
John Hancock Mutual Life Insurance Company	550426	30,082.38	16,528.61	16,569.04	737.35
Mutual Life Insurance Company of New York	2518–657	141,543.00	77,500.02	77,593.98	3,191.00
New York Life Insurance Company	3 821 972	10,313.15	7,509.15	8,740.85	[2]
Do	4,067 789	15,601.73	11,354.93	13,243.28	[2]
Do	4 288 707	12,293.10	8,909.67	10,434.80	[2]
Do	10 300 717	60,722.00	27,659.80	28,110.54	2,323.00
		1,274,413.39	658,267.15	666,913.11	33,640.45

[1] Face value consists of the face value of the policy, paid-up additional insurance, and dividend accumulations.
[2] Paid up.

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